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1st QUARTERLY REPORT

September 30, 2013

SHAFFI CHEMICAL INDUSTRIES LIMITED

SHAFFI CHEMICAL INDUSTRIES LIMITED

CORPORATE PROFILE

BOARD OF DIRECTORS

1.	Mr. Iftikhar Shaffi	Chief Executive	(Executive)
2.	Mr. Shariq Iftikhar	Director	(Executive)
3.	Mr. Sohail Malik	Director	(Non-Executive)
4.	Mr. Muhammad Sameer	Director	(Non-Executive)
5.	Mr. Hashim Aslam Butt	Director	(Non-Executive)
6.	Mr. Zahoor Ahmad	Director	(Non-Executive)
7.	Mr. Mohib Hussain	Director	(Non-Executive)

COMPANY SECRETARY

- Mr Nazir Ahmed

AUDIT COMMITTEE

1.	Mr. Sohail Malik	Chairman (Non-Executive Director)
2.	Mr. Muhammad Sameer	Member (Non-Executive Director)
3.	Mr. Hashim Aslam Butt	Member (Non-Executive Director)

HUMAN RESOURCE & REMUNERATION COMMITTEE

1.	Mr. Sohail Malik	Chairman (Non-Executive Director)
2.	Mr. Muhammad Sameer	Member (Non-Executive Director)
3.	Mr. Hashim Aslam Butt	Member (Non-Executive Director)

LEGAL ADVISOR

- A.K. Minhas Law Associates

AUDITORS

HLB IJAZ TABUSSUM & CO.
S-8, Ahmad Arcade, 161-Ferozpur Road, Lahore-Pakistan.
Tel: 92-42-7567667 – 7587323 – 7569904
Fax: 92-42-75800097 – 7575510
E.mail: mataabussum@hotmail.com

BANKERS

- Allied Bank Limited
- Askari Commercial Bank Limited
- Bank Alfalah Limited
- Habib Metropolitan Bank Limited
- Silk Bank Limited
- Standard Chartered Bank Pakistan Limiated

REGISTERED OFFICE

- Plot No. 2, Gadoon Amazai, Industrial Estate, Swabi, Khyber Pakhtoonkhwa
  Tel: 0938-270696, 270697

FACTORY

- Plot No. 2, Gadoon Amazai, Industrial Estate, Swabi, Khyber Pakhtoon khwa
  Tel: 0938-270697
  E.mail: scil_gad@hotmail.com

PRINCIPLE OFFICE

- 23-Km, Multan Road, Mohlanwal, Lahore
  Tel: 042-37540336-7
  Fax: 042-37540335
  E.mail: info@diamondfoam.com

SHARE REGISTRAR

- M/s Corplink (Pvt) Limited
  Wing Arcade, 1-K Commercial, Model Town, Lahore
  Tel: 042-35916714, 35916719, 35839182
  Fax: 042-35869037
  E.mail: corplink786@yahoo.com

SHAFFI CHEMICAL INDUSTRIES LIMITED

DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board of Directors of **Shaffi Chemical Industries Limited** I am pleased to place before you the unaudited quarterly financial statements of the company for the quarter ended September, 30, 2013.

FINANCIAL HIGHLIGHTS:

Sales-net during the quarter ended 30/09/2013 are Rs. 1.542 M comparing to Rs. 3.052 M of the corresponding quarterly a/cs of 30/09/2012. Gross Profit/(Loss) of Rs. (0.213) M was made during the period under review as against Gross Profit/(Loss) of Rs. 0.081 M of the corresponding quarter ended 30/09/2012. There is Loss after taxation of Rs. (1.268) M as against Profit after taxation of Rs. 1.208 M during the comparable quarter ended 30/09/2012. The disputed cases related to First Capital ABN AMRO equities (Pakistan) Ltd, Lahore Stock Exchange and others are contested vigorously at its proper forums by your company and are explained in the latest annual financial statements under the title "Contingencies and Commitments".

FUTURE OUTLOOK:

As explained in the annual directors' report that due to remote area of Gadoon Amazai Industrial Estate it is very difficult for the company to cope with the daily increase in prices of raw material, power & fuel, salaries & wages and worst power crises resulting in higher input cost which slowed down the business activities and badly affected overall business & trade of the company has impacted its profitability. Therefore due to persistent recession, increase in the financial cost & that of raw material and also because of adverse economic factors coupled with stiff competition among the competitors and other circumstances, the company without any incentive from the Government, is even unable to meet the manufacturing cost of goods & allied expenses. So on the face of multiple hurdles & crucial situation, the directors of the company are considering seeking approval of the shareholders to close down all manufacturing activities in order to save the shareholders interest in company from further decline in value of shares.

EARNING PER SHARE:

The earnings per share of the company for the quarter under review is Rs. (0.11) as compared to Rs. 0.10 in the corresponding quarter ended 30th September, 2012.

ACKNOWLEDGEMENT:

The Board of Directors deeply expresses its appreciation to the staff, workers and all other stakeholders for their continued support in achieving the reported level of performance.

Lahore

Dated:- 29th October, 2013

For and on behalf of Board

IFTIKHAR SHAFFI

Chief Executive

SHAFFI CHEMICAL INDUSTRIES LIMITED

CONDENSED INTERIM BALANCE SHEET
As at September 30, 2013 (Un-Audited)

EQUITY AND LIABILITIES	Notes	Un-Audited September 30, 2013 Rupees	Audited June 30, 2013 Rupees
SHARE CAPITAL AND RESERVES			
Authorised Capital			
12,000,000 Ordinary shares of Rs. 10/- each		120,000,000	120,000,000
Issued, Subscribed and Paid Up Capital			
12,000,000 Ordinary shares of Rs. 10/- each fully paid in cash	4	120,000,000	120,000,000
Fair Value Reserve		4,334,486	3,340,115
Accumulated Profit		(155,463,504)	(153,325,685)
		(31,129,018)	(29,985,570)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		8,120,254	8,275,677
NON-CURRENT LIABILITIES			
Long Term Loan		11,250,764	11,250,764
Deferred Liabilities		1,942,327	1,806,561
		13,193,091	13,057,325
CURRENT LIABILITIES			
Trade and Other Payables		22,151,404	23,087,511
Accrued Interest on Borrowings		696,000	696,000
Short Term Borrowings - Secured		49,991,574	49,991,574
Provision for Taxation		71,745	56,325
		72,910,723	73,831,410
CONTINGENCIES AND COMMITMENTS	5	-	-
TOTAL EQUITY AND LIABILITIES		63,095,051	65,178,842
ASSETS			
NON-CURRENT ASSETS			
Property, Plant and Equipment	6	19,047,068	19,406,597
Long Term Deposits		223,560	223,560
Long Term Investments		33,858,671	34,286,750
CURRENT ASSETS			
Stock in Trade	7	1,078,847	1,160,077
Trade Debts		1,629,252	1,988,400
Loans and Advances		377,936	414,426
Other Receivables		6,029,822	6,165,795
Cash and Bank Balances		849,895	1,533,238
		9,965,752	11,261,936
TOTAL ASSETS		63,095,051	65,178,842

The annexed notes form an integral part of this financial information.

Chief Executive

Director

SHAFFI CHEMICAL INDUSTRIES LIMITED

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

For The Quarter Ended September 30, 2013 (Un-Audited)

	Notes	Quarter Ended September 30, 2013 Rupees	Quarter Ended September 30, 2012 Rupees
Sales - net		1,542,051	3,052,084
Cost of Sales	8	(1,755,585)	(2,970,991)
Gross Profit / (Loss)		(213,534)	81,093
Distribution Expenses		(45,023)	(23,493)
Administrative Expenses		(593,021)	(918,837)
Other Operating Income		323	29,342
		(637,721)	(912,988)
		(851,255)	(831,895)
Finance Cost		(4,117)	(7,057)
		(855,372)	(838,952)
Reversal of impairment loss on long term investment		19,485,708	-
		18,630,336	(838,952)
Share of profit / (loss) of associated company		(18,314,332)	2,565,099
Profit before Taxation		316,004	1,726,147
TAXATION			
-Current	9	(15,420)	(30,521)
-Share of tax of associated company		(1,568,558)	(488,016)
		(1,583,978)	(518,537)
Profit / (Loss) after Taxation		(1,267,974)	1,207,610
Earnings per share	10	(0.11)	0.10

The annexed notes form an integral part of this financial information.

Chief Executive

Director

SHAFFI CHEMICAL INDUSTRIES LIMITED

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

For The Quarter Ended September 30, 2013 (Un-Audited)

	Quarter Ended	
	September 30, 2013 Rupees	September 30, 2012 Rupees
PROFIT / (LOSS) FOR THE PERIOD	(1,267,974)	1,207,610
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to profit or loss		
Items that may be reclassified subsequently to profit or loss:		
Unrealized loss arising on remeasurement of available for sale investments of associated companies	(1,372,419)	(779,928)
Unrealized gain arising on remeasurement of available for sale investments	994,371	-
Other Comprehensive income for the period	(378,048)	(779,928)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(1,646,022)	427,682

The annexed notes form an integral part of this financial information.

Chief Executive

Director

SHAFFI CHEMICAL INDUSTRIES LIMITED

CONDENSED INTERIM STATEMENT OF CASH FLOWS
For The Quarter Ended September 30, 2013 (Un-Audited)

	September 30, 2013 Rupees	September 30, 2012 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/ (Loss) before taxation	316,004	1,726,147
Adjustments for :		
Depreciation	359,529	394,765
Reversal of impairment loss on long term investment	(19,485,708)	
Share of profit / (loss) of associated company	18,314,332	(2,565,099)
Provision for gratuity	135,766	125,096
Interest Income	(323)	(29,342)
Finance Cost	4,117	7,057
Operating Profit before Working Capital Changes	(356,283)	(341,376)
Changes in Working Capital		
(Increase) / Decrease in Current Assets		
Stock in Trade	81,230	(591,474)
Trade Debts	359,148	(1,440,843)
Loans and Advances	36,490	(3,119,876)
Other Receivables	135,973	660,240
	612,841	(4,491,953)
Increase / (Decrease) in Current Liabilities		
Trade and Other Payables	(936,107)	4,439,640
Changes in Working Capital	(323,266)	(52,313)
Cash Generated from / (used in) Operations	(679,549)	(393,689)
Taxes paid	-	-
Gratuity paid	-	-
Finance Cost Paid	(4,117)	(7,057)
Net Cash Generated from / (Used in) Operating Activities	(683,666)	(400,746)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Cash Generated from Investing Activities	-	-
Net Cash Flows Before Financing Activities	(683,666)	(400,746)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend Income	-	-
Interest Income	323	29,342
Dividend Paid	-	-
Net Cash Flows From Financing Activities	323	29,342
Net Increase / (Decrease) in Cash & Cash Equivalents	(683,343)	(371,404)
Cash & Cash Equivalents at the Beginning	1,533,238	1,754,734
Cash & Cash Equivalents at the End	849,895	1,383,330

The annexed notes form an integral part of this financial information.

Chief Executive

Director

STATEMENT OF CHANGES IN EQUITY
For The Quarter Ended September 30, 2013 (Un-Audited)

	SHARE CAPITAL	CAPITAL RESERVES	REVENUE RESERVES	TOTAL RESERVES	TOTAL EQUITY
		Fair Value Reserve	(Accumulated loss) / Inappropriate profit		
			(Rupees)		
Balance as at 01 July 2012 (Restated)	120,000,000	-	(83,212,499)	(83,212,499)	36,787,501
Effect of items directly credited in equity by the associated companies	-	-	(15,439)	(15,439)	(15,439)
Incremental depreciation on surplus on revaluation of property, plant & equipment	-	-	169,681	169,681	169,681
Profit for the year	-	-	1,207,610	1,207,610	1,207,610
Other comprehensive income for the year	-	-	(779,928)	(779,928)	(779,928)
Total comprehensive loss for the year	-	-	427,682	427,682	427,682
Balance as at 30 September 2012	120,000,000	-	(82,630,575)	(82,630,575)	37,369,425
Balance as at 01 July 2013	120,000,000	3,340,115	(153,325,685)	(149,985,570)	(29,985,570)
Effect of items directly credited in equity by the associated companies	-	-	347,151	347,151	347,151
Incremental depreciation on surplus on revaluation of property, plant & equipment	-	-	155,423	155,423	155,423
Loss for the year	-	-	(1,267,974)	(1,267,974)	(1,267,974)
Other comprehensive income for the year	-	994,371	(1,372,419)	(378,048)	(378,048)
Total comprehensive loss for the year	-	994,371	(2,640,393)	(1,646,022)	(1,646,022)
Balance as at 30 September 2013	120,000,000	4,334,486	(155,463,504)	(151,129,018)	(31,129,018)

The annexed notes form an integral part of these financial statements.

Chief Executive

Director

SHAFFI CHEMICAL INDUSTRIES LIMITED

CONDENSED INTERIM NOTES TO THE FINANCIAL INFORMATION

For The Quarter Ended September 30, 2013 (Un-Audited)

1 STATUS AND NATURE OF BUSINESS

The Company was incorporated under the Companies Ordinance, 1984 as Public Limited Company on 27th September 1994. The shares of the company are quoted on Karachi and Lahore Stock Exchanges of Pakistan. The main activity of the company is to manufacture and process of Di-Octyle-Ortho Phathalates (DOP) Chemicals Currently the company is poducing Lith and Diltex Binder. The registered office of the company is situated at Gadoon Amazai, Industrial Estate, Sawabi, Khyber Pakhtoonkhwa.

2 BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention except for Building and Plant & Machinery which are stated on revalued amounts and staff retirement benefits which have been recognized at present value determined by the actuary. The long term investments in associates under equity method have been recognised on the provisional financial statements of associated company as the audited accounts of associated company were not available at the time of preparation of quarterly accounts.

These condensed interim financial statements are un-audited and are submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984. These interim financial statements are prepared in accordance with the requirements of the International Accounting Standards 34 ' Interim Financial Reporting '.

3 ACCOUNTING POLICIES

The accounting policies adopted in preparation of these financial statements are the same as those applied in the preparation of the preceding annual audited published financial statements of the Company.

4 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

Number of shares			Un-Audited	Audited
September 30, 2013	June 30, 2013		September 30, 2013	June 30, 2013
			Rupees	Rupees
12,000,000	12,000,000	Cash	120,000,000	120,000,000
12,000,000	12,000,000		120,000,000	120,000,000

5 CONTINGENCIES AND COMMITMENTS

There is no major change in contingencies and commitments as have been disclosed in last audited financial statement of the Company.

	Un-Audited September 30, 2013 Rupees	Audited June 30, 2013 Rupees
6 PROPERTY, PLANT AND EQUIPMENT		
Book value at the beginning of the period	19,406,597	20,985,659
Less: Depreciation charged during the period	(359,529)	(1,579,062)
	19,047,068	19,406,597
Allocation of Depreciation		
Cost of Goods Sold	342,421	1,497,078
Administrative Expenses	17,108	81,984
	359,529	1,579,062

	September 30, 2013 Rupees	June 30, 2013 Rupees
7 STOCK IN TRADE		
Raw Materials	1,637,264	1,833,076
Less: Provision for slow moving stock	(765,986)	(765,986)
	871,278	1,067,090
Finished Goods	207,569	92,987
	1,078,847	1,160,077

	September 30, 2013 Rupees	September 30, 2012 Rupees
8 COST OF SALES		
Cost of goods manufactured	1,870,167	3,436,811
Opening stock of finished goods	92,987	935,414
	1,963,154	4,372,225
Closing Stock of finished goods	(207,569)	(1,401,234)
	1,755,585	2,970,991
9 TAXATION		
Taxation	1,583,978	518,537
	1,583,978	518,537
10 EARNINGS PER SHARE		
Profit / (loss) after taxation	(1,267,974)	1,207,610
	Number of shares	
Issued, subscribed and Paid up Capital	12,000,000	12,000,000
	Quarter Ended	
	September 30, 2013 Rupees	September 30, 2012 Rupees
Earnings per share	(0.11)	0.10

11 TRANSACTION WITH RELATED PARTIES

Transaction and contracts with the related parties are carried out at arm's length prices determined in accordance with comparable uncontrolled price method.

The related parties comprises of associated companies, director of the companies key management personnel and staff retairment funds.

Detail of transections with related parties;

	Un-Audited September 30, 2013	Audited June 30, 2013
	Rupees in Millions	
Capital Industrial Enterprises (Pvt) Ltd	-	(7.490)

12 Figures have been rounded off to the nearest rupee.

13 These condensed set of interim financial information was authorised for issue on **October 29, 2013** by the board of directors of the Company.

Chief Executive

Director

SHAFFI CHEMICAL INDUSTRIES LIMITED

If undelivered please return to:

SHARES REGISTRAR

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WINGS ARCADE, 1-K COMMERCIAL MODEL TOWN, LAHORE.
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